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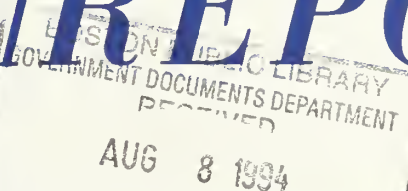
REPORT



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The City of Boston's Fiscal 1995 Budget
The Menino Administration Puts Its Imprint On City Government

Mayor Menino has put his mark on Boston's government with the approval of the fiscal 1995 budget of \$1.397 billion, which became effective July 1, 1994. This budget, a first for Mayor Menino, calls for an increase in spending of \$43.4 million or 3.2% over the fiscal 1994 budget. This compares with a spending increase of \$36.5 million or 2.8% in fiscal 1994, which was preceded by two consecutive years of spending cuts. The fiscal 1995 budget continues to provide the largest funding increases to the traditional priority departments of Police, Fire, Hospitals and Schools. New initiatives in this budget include: [1] funding for three classes of 40 police officers and one class of 58 fire fighters, [2] more resources for street cleaning and repairs, [3] expansion of the City's recycling program, [4] extending hours for libraries and community centers and [5] an investment in new equipment and technology. Recommendations of the Mayor's Transition Committee are also incorporated in this budget. Specifically, the Mayor's budget reorganizes city government into a cabinet structure devoted to functional areas in order to improve cross-departmental cooperation and service delivery. The budget begins to place greater emphasis on performance management by linking departmental budgets with measurable outcomes or results. For the first time, this budget moves towards an all-funds budget presentation in which all general and external funds are presented on the front page of each departmental budget. Also, expected capital expenses in fiscal 1995 are shown on the same page. Realizing the benefits of management performance will require strong management and commitment from the Mayor and his Administration and should be expanded in future years.

This year's budget is supported by revenues of \$1.397 billion, an increase of \$43.4 million or 3.2% over fiscal 1994. The increase in revenues comes primarily from the property tax (+\$25.6 million or 4.1%) and state aid (+\$12.1 million or 3.4%). These two revenue sources account for 73.0% of the City's total general fund revenues. Boston is caught in a fiscal straight jacket with its heavy reliance on two revenue sources, each of which is restricted by legal limits or state policy. This budget does not include funds for the recently negotiated teachers contract, which is projected to cost \$13.5 million in fiscal 1995. Additionally, since the issuance of this budget, the Commonwealth has released its estimate of state aid to Boston for fiscal 1995. These estimates total \$380.2 million, an increase of \$11.0 million over what is planned in the City's fiscal 1995 budget. The majority of this increase is devoted to educational purposes. Also changes in the state budget regarding county correctional funding will provide some savings, yet to be determined, to Boston in fiscal 1995. This report does not reflect the addition of these funds or the correctional savings.

The organizational changes adopted by the Menino Administration have been achieved primarily through administrative action. The shifting of responsibilities between the Real Property and Public Facilities Department and the creation of the Property Management Department have been implemented, so far, through passage of a local ordinance. The legal complexity of the reorganization changes will likely make it necessary for the Administration to pursue legislative changes in order to fully achieve its reorganization goals and to ensure that cabinet and department heads have the appropriate authority to effectively execute their responsibilities.

REVENUE ESTIMATES

The City's general fund revenues are projected to increase by \$43.4 million or 3.2% over fiscal 1994. This revenue estimate is conservative and will increase to account for state budget changes and updated local receipt estimates before the tax rate is set in December. Most of the revenue increase in the current fiscal 1995 budget comes from growth in the property tax, hospital receipts and state aid. This anticipated growth in fiscal 1995 comes after an increase of 3.7% in fiscal 1994 and cuts in fiscal years 1992 and 1993 of 3.2% and 1.4% respectively.

The Property Tax

The net property tax levy, Boston's largest revenue source, is expected to total \$650.8 million in fiscal 1995, an increase of \$25.6 million or 4.1% over fiscal 1994. The tax levy represents 46.6% of the City's total general fund revenues in fiscal 1995. The net levy equals the City's gross levy less the overlay reserve for abatements. Figure 1 shows the components of the City's fiscal 1995 gross levy. This year's gross levy is expected to increase by \$16.5 million due to the normal 2.5% increase over the prior year's levy limit and by \$9.0 million due to new growth. Generally, at the time the tax rate is set in December, the City has been able to increase its levy estimate of new growth slightly, a situation that is expected in fiscal 1995.

GROWTH IN TAX LEVY Figures in 000's				
	FY 1994	FY 1995	CHANGE	%
PRIOR YEAR LEVY LIMIT	\$625,155	\$660,395	\$35,240	5.6%
2 1/2% LEVY GROWTH	15,629	16,510	881	5.6%
NEW GROWTH	19,611	9,000	(10,611)	-54.1%
TOTAL LEVY LIMIT	\$660,395	\$685,905	\$25,510	3.9%
GROSS TAX LEVY	\$660,244	\$685,750	\$25,506	3.9%

Figure 1

State Revenues

Direct state aid included in this budget, totals \$369.2 million or 26.4% of total general fund revenues. State aid for fiscal 1995, as budgeted by the Mayor, is expected to increase by \$12.1 million or 3.4% over fiscal 1994. The bulk (\$8.9 million) of the fiscal 1995 increase in state aid is distributed through the Chapter 70 educational aid account in compliance with the State's Education Reform Act. Remaining increases in state aid can be found in lottery funds (+\$3.7 million) and pension reimbursements for retired teachers (+\$2.3 million), the latter of which reflects the number of teachers who took advantage of the early retirement program. Since the issuance of the revenue budget, the Commonwealth released its estimate of state aid to Boston. Inclusion of these estimates gives Boston \$11.0 more in state aid not originally anticipated. However, the majority of the increase is earmarked for educational purposes and will likely be used to help fund the new employee contracts.

Health & Hospital Revenues

Revenues from the Health & Hospital Department continue to represent the City's third largest revenue source (12.9% of total) and are expected to generate \$179.7 million in fiscal 1995. This represents an increase of \$16.3 million or 10.0% over fiscal 1994, which will be offset by the cost of new initiatives. The City's subsidy for the Hospital Department will remain at about \$33 million.

City Departmental Revenues

The City has estimated conservatively that its departmental revenues will total \$110.1 million, which represents a reduction of \$1.2 million or 1.0% from the fiscal 1994 budget. Significant decreases are projected in parking fines (-\$2.2 million) and income

GENERAL FUND REVENUES FISCAL YEARS 1994-1995 FIGURES IN 000's				
	TAX RATE BUDGET FY 1994	JUNE BUDGET FY 1995	FY1994-95 CHANGE	%
GROSS PROPERTY TAX	\$660,244	\$685,749	\$25,505	3.9%
OVERLAY	(35,044)	(34,902)	142	-0.4%
NET PROPERTY TAX	\$625,199	\$650,847	\$25,648	4.1%
DEPARTMENTAL REVENUES	\$278,112	\$292,584	\$14,472	5.2%
CITY	\$111,282	\$110,129	(\$1,154)	-1.0%
Parking Fines	47,890	45,732	(2,159)	-4.5%
PILOTS	19,319	20,087	768	4.0%
Building Permits	7,300	9,000	1,700	23.3%
Licenses & Permits	8,385	8,790	405	4.8%
Penalties & Interest	8,304	7,450	(854)	-10.3%
Investment Income	7,704	6,250	(1,454)	-18.9%
All Other Departmental	12,380	12,820	440	3.6%
HEALTH & HOSPITALS	163,380	179,690	16,310	10.0%
SUFFOLK COUNTY	2,950	2,266	(684)	-23.2%
SCHOOL	500	500	0	0.0%
STATE REVENUES	\$357,151	\$369,204	\$12,053	3.4%
Additional Assistance	206,638	206,638	0	0.0%
Chapter 70 [1]	66,602	75,478	8,876	13.3%
Lottery [2]	29,119	32,776	3,658	12.6%
Teacher Pensions	28,223	30,500	2,277	8.1%
Other	26,570	23,812	(2,758)	-10.4%
AIRCRAFT FUEL TAX	\$11,400	\$12,500	\$1,100	9.6%
CH. 121A - PROPERTY EXCISE	23,700	25,900	2,200	9.3%
HOTEL/MOTEL EXCISE	14,100	15,000	900	6.4%
MOTOR VEHICLE EXCISE	20,520	21,920	1,400	6.8%
NON-RECURRING REVENUES	11,051	2,750	(8,301)	-75.1%
MISC. REVENUES	12,146	6,049	(6,097)	-50.2%
TOTAL GENERAL FUND REVENUES	\$1,353,380	\$1,396,754	\$43,374	3.2%

[1] Chapter 70 reflects accounting changes made by the Commonwealth.

[2] Includes Municipal Stabilization Aid, originally separated out in fiscal 1994.

Figure 2

from investments (-\$1.5 million). Increases are expected in building permits (+\$1.7 million), payment-in-lieu of taxes (+\$768,000) and licenses and permits (+\$405,000).

Non-Recurring Revenues

Included in the City's fiscal 1995 revenue projection are "non-recurring" revenues from the sale of assets, court settlements and other revenues that are not permanent or dependable sources for funding basic city services. In fiscal 1995, the City has budgeted \$2.8 million in non-recurring revenues, a decline of \$8.3 million from fiscal 1994. This sharp drop reflects the City's intention to not utilize one-time money from the sale of city property at this time. However, the City has indicated that it "will need to gradually spend down the modest reserve remaining from the sale of Central Artery property" despite the Bureau's opposition to the use of these proceeds from the sale of capital assets being used for operational expenses.

All Other Revenues

All other revenues as reported in the table in figure 2, are projected to decline, in aggregate, by \$497,000 or 0.6%. The largest decline of \$6.1 million or 50.2% is expected in miscellaneous revenues, due to a \$5.5 million or 61.1% cut in the special parking meter account as a result of stricter compliance with existing state regulations. This reduction will be offset by expected increases in Chapter 121A property excise (\$2.2 million or 9.3%), aircraft fuel tax (\$1.1 million or 9.6%) and motor vehicle excise tax (\$1.4 million or 6.8%). The Bureau believes that a few of these accounts are budgeted conservatively and will exceed budgeted estimates.

PROPOSED SPENDING

The Mayor's fiscal 1995 budget calls for a spending increase of \$43.4 million or 3.2% over fiscal 1994, bringing total city spending to \$1.397 billion. This compares with a spending increase of \$36.5 million or 2.8% in fiscal 1994 which was preceded by two consecutive years of spending cuts. Reflecting traditional priority departments, five departments in the proposed budget account for 65.9% of city spending (figure 4). These departments also absorb the majority (\$28.0 million or 64.6%) of the overall growth in spending in fiscal 1995. This budget also includes partial funding for collective bargaining contracts that are being negotiated. However, it does not include funds to support recently negotiated school contracts, which will require supplementary appropriations.

Growth Areas

The largest dollar increase in spending is projected in the Health & Hospitals Department (+\$16.2 million), followed by Police (+\$7.3 million), Pensions (+\$6.4 million), Fire (+\$2.5 million) and Schools (+\$2.0 million). On a percentage basis large increases occurred in the Cultural Affairs (+82.6%), Safe Neighborhoods (+67.5%), Snow Removal (+44.4%) and Environment (+36.1%) accounts.

New Directions

While recognizing the fiscal realities the City faces, the fiscal 1995 budget extends the hours that libraries and community centers will be open on weekends. This budget directs more resources to both arterial and neighborhood street cleaning and

CITY OF BOSTON BUDGET					
Figures in 000's					
DEPARTMENT	FY 1994 TAX BUDGET	FY 1995 BUDGET	FY95 % OF TOTAL	FY94-FY95 CHANGE	%
Schools	\$406,995	\$408,960	29.3%	\$1,965	0.5%
Hospitals	197,163	213,386	15.3%	16,223	8.2%
Police	131,810	139,124	10.0%	7,314	5.5%
Pensions	100,524	106,940	7.7%	6,416	6.4%
Debt Service	88,629	88,310	6.3%	(319)	-0.4%
Fire	83,833	86,345	6.2%	2,512	3.0%
Human Resources	72,875	72,901	5.2%	26	0.0%
State Assessments	56,980	58,405	4.2%	1,425	2.5%
Public Works	51,323	52,663	3.8%	1,340	2.6%
Transportation	23,550	22,467	1.6%	(1,084)	-4.6%
Library	18,926	19,400	1.4%	474	2.5%
Property Management	9,551	10,234	0.7%	683	7.1%
Community Centers	8,625	9,915	0.7%	1,290	15.0%
Sheriff's	8,938	9,161	0.7%	223	2.5%
Parks	9,896	8,743	0.6%	(1,153)	-11.6%
Execution of Courts	7,500	8,500	0.6%	1,000	13.3%
Inspectional Services	8,378	8,310	0.6%	(68)	-0.8%
Pensions	7,200	7,200	0.5%	0	0.0%
MIS	5,575	6,801	0.5%	1,226	22.0%
Assessing	4,724	4,821	0.3%	97	2.1%
Youth Fund	3,800	3,400	0.2%	(400)	-10.5%
Election	3,046	2,821	0.2%	(225)	-7.4%
City Council	2,471	2,571	0.2%	100	4.0%
Budget Management	2,250	1,658	0.1%	(592)	-26.3%
Mayor, Office Expenses	1,118	1,251	0.1%	134	12.0%
Special Events & Tourism	969	932	0.1%	(37)	-3.8%
Civil Rights	540	530	0.0%	(9)	-1.7%
Minority & Women Business	352	218	0.0%	(133)	-37.9%
Press Office	153	189	0.0%	36	23.6%
Other Departments	35,687	40,599	2.9%	4,912	13.8%
GRAND TOTAL	\$1,353,380	\$1,396,755	100.0%	\$43,375	3.2%

Figure 3

temporary street repairs and makes a greater commitment to increase recycling programs in Boston. Funding is provided for new public works vehicle replacement and new equipment for graffiti removal. Efforts to improve service delivery include a management and operations audit of the Fire Department this year. Each cabinet office and department will be held to more specific and quantified performance goals for fiscal 1995. Holding departments accountable for service delivery will involve measuring customer satisfaction through citizen surveys.

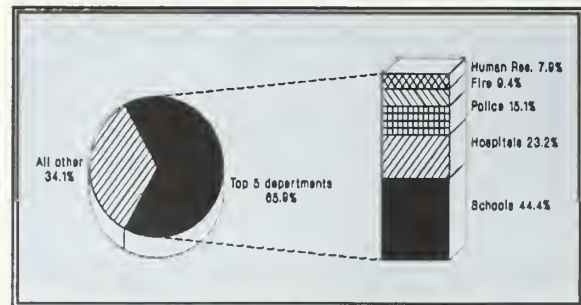


Figure 4

Personnel Quota Increase

Departmental budgeted quotas for permanent positions, excluding schools, increased by 389 or 3.6% in the fiscal 1995 budget. Personnel quotas represent the number of permanent positions that are funded in the budget and not the actual number of employees working. Nevertheless, the increase in the quotas will mean that the actual number of city departmental employees will increase in fiscal 1995 for the first time since 1988. For the most part, the quota increases reflect the Mayor's new initiatives in this year's budget. The Police Department is adding three recruiting classes of 40 each and six non-uniform positions, while the Fire Department is bringing on a new class of 58. For both departments, the net increase in the uniform force will be less than the number of new recruits due to the filling of vacancies from retirements. The Mayor's emphasis on youth and the planned expanded hours for the community center programs have resulted in an increase in the Community Center's personnel quota by 40. The largest increases are in street worker and athletic positions.

The fiscal 1995 Hospital Department budget shows an increase in its quota of 138 positions or 5.2%. Converting the Department's workforce to full time equivalencies produces a smaller increase this year but that raises a serious concern. In our February, 1994 financial assessment of BCH, the Bureau stated that "reducing operating expenses through workforce reduction is a key assumption in the ongoing financial viability of BCH." Continued workforce reductions, not increases, are required from BCH alone or through its consolidation with University Hospital if the Hospital is to be viable in this competitive market.

Organizational Changes

The fiscal 1995 budget embraces the Mayor's Transition Committee's recommendation of organizing according to cabinet areas. The budget establishes the Mayor's new cabinet structure by consolidating city departments and expenditures into eight substantive areas. By combining like functions and identifying one responsible individual, the cabinets are designed to improve coordination, encourage teamwork and enhance accountability. The new structure includes the Boston Housing Authority, the Boston Redevelopment Authority, the Economic Development Industrialization Corporation and the Boston Water and Sewer Commission in order to encourage better cross-agency and authority coordination. In addition to the new structure, the fiscal 1995 budget includes several new or reorganized departments such as the Offices of Civil Rights, Special Events and Tourism, and Cultural Affairs. The responsibilities of the Public Facilities and Real Property Departments have been restructured to create a new Property Management Department. The Public Facilities Department will focus on planning and new construction. Figure 5 gives a summary of the cabinet areas and spending level.

	FY 1994	FY 1995	CHANGE	%
Mayor's Office	\$5,041	\$5,598	\$557	11.0%
Chief Operating Officer	274,673	292,364	17,691	6.4%
Basic City Services	123,265	125,370	2,105	1.7%
Chief Financial Officer	32,732	34,753	2,021	6.2%
Economic Development	14,990	14,387	(603)	-4.0%
Public Safety	215,643	225,469	9,826	4.6%
Health & Human Service	15,117	16,891	1,775	11.7%
Education	406,995	408,960	1,965	0.5%
Total Cabinet	\$1,088,455	\$1,123,792	\$35,337	3.2%
Other				
Suffolk County	15,212	15,597	386	2.5%
Miscellaneous	3,580	3,710	131	3.6%
Pensions	100,524	106,940	6,416	6.4%
Debt Service	88,629	88,310	(319)	-0.4%
State Assessments	56,980	58,405	1,425	2.5%
GRAND TOTAL	\$1,353,380	\$1,396,755	\$43,375	3.2%

Figure 5

